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SECURITY INFORMATION

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SA/RR

29 September 1953

Chief, D/S

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Need for [REDACTED] Project, Communist Take-over and "Economic Reshaping"
of Eastern Europe

1. The Services Division is in need of up-to-date analysis of economic development of areas under Soviet control for use in its economic research program as follows:

a. To provide information and analysis about economic integration of the Satellite economies with each other and with the USSR leading to a proposed office-wide project addressed to the following intelligence problems:

(1) The extent and method of Soviet control over Satellite economies.

(2) The present and indicated future economic integration of Satellite economies.

(3) The character, magnitude, and control of Intra-Bloc and East-West trade and financial activities.

b. To provide information and analysis concerning the character and magnitude of economic growth (particularly in the services sector) of countries which use planning to achieve economic goals. It is felt that a comparison of a Soviet-inspired economic plan with one made earlier for Eastern Europe by K. Mandelbaum (The Industrialization of Backward Areas, Oxford, Basil Blackwell, 1945) would prove valuable in establishing trends in economic growth of a Soviet economic model leading to estimates concerning future character and magnitude of the services sector of a Soviet type economy.

Mr. Mandelbaum presented proposed solutions and estimates to two problems of interest to the Services Division. They are:

(1) The effect of industrialization on the character and magnitude of the services sector.

(2) The relocation and training of an industrial labor force and the effect of industrialization on the agricultural labor force.

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The Mandelbaum model was based on historical data and conventional economic rationale and the comparison with planned and actual performance of the Soviet-type economy involved in the Spulber project should lead to some valuable basic insights into the workings of this type of economy.

c. To provide analytical and research techniques for research and analysis of the services sector of the USSR. The study of the Soviet type economies of Eastern Europe should provide a basic methodology for use in Project 40.1 (The Development of the Services Sector of the Soviet Economy).

The sections of the [REDACTED] 25X1A5a1 report which will be of value in the above internal project are those concerned with the dynamics of nationalization, the collectivization of agriculture, capital formation, and the managerial techniques of Soviet type economies. It is expected that the [REDACTED] study will provide 25X1A5a1 techniques and methods of research oriented toward this type of economy which will be applicable to other economies of the same type.

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2. It is felt that [REDACTED] is the most logical person to engage in this study for the following reasons:

a. He is one of the most knowledgeable people about the Eastern European Satellites in the US.

b. He has excellent knowledge concerning sources of information on the area.

c. He has the language competence necessary to exploit 25X1A5a1 sources from the area.

[REDACTED]

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[REDACTED]

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